

Message Text

SECRET

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71

ORIGIN NEA-12

INFO OCT-01 CCO-00 RSC-01 SS-20 SSO-00 ISO-00 EB-11 ARA-16

AF-10 NSCE-00 USIE-00 INRE-00 SCEM-02 INT-08 STR-08

CEA-02 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-10 PA-04 PRS-01 SPC-03 AID-20 COME-00 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

/183 R

DRAFTED BY NEA/ARP:FMDICKMAN:BDF

APPROVED BY NEA:RPDAVIES

EB/ORF/FSE - MR. WHITMAN

S/S - TRPICKERING

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN IMMEDIATE

INFO ALL OECD CAPITALS IMMEDIATE

AMEMBASSY CARACAS IMMEDIATE

USINT ALGIERS IMMEDIATE

AMEMBASSY TRIPOLI IMMEDIATE

USINT BAGHDAD IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY ABU DHABI IMMEDIATE

AMEMBASSY LAGOS IMMEDIATE

AMEMBASSY JAKARTA IMMEDIATE

AMEMBASSY QUITO IMMEDIATE

AMEMBASSY BRASILIA IMMEDIATE

AMEMBASSY NEW DELHI IMMEDIATE

AMEMBASSY ISLAMABAD IMMEDIATE

USMISSION GENEVA IMMEDIATE

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TOSEC 376 , GENEVA ZFF ONLY

E.O. 11652: GDS

TAGS: ENRG

SUBJ: PRICING POLICIES AT OPEC MEETING

REF: JIDDA 5626 (NOTAL), TEHRAN 9001 (NOTAL)

KUWAIT PASS DOHA

1. ACTING ASSISTANT SECRETARY DAVIES CALLED IRANIAN AMBASSADOR ZAHEDI TO EXPRESS CONCERN AT REPORTS THAT USG RECEIVING ABOUT POSSIBLE INORDINATE PRICE INCREASES FOR OIL AT FORTHCOMING OPEC MEETING SCHEDULED TO BEGIN IN TEHRAN ON DECEMBER 22. IF OPEC COUNTRIES SOUGHT TO TAKE SHORT-TERM ADVANTAGE OF SITUATION, IT WOULD CREATE CRITICAL PROBLEM BOTH FOR INDUSTRIALIZED COUNTRIES AND, ESPECIALLY, DEVELOPING COUNTRIES WHICH DO NOT HAVE THEIR OWN SOURCES OF ENERGY SUCH AS INDIA AND PAKISTAN. US BELIEVED THAT THE MIDDLE EAST PRODUCERS SUCH AS IRAN AND SAUDI ARABIA HAD LONG-TERM INTEREST IN STABILITY OF OIL PRICES BUT IF THERE WERE A THREE-FOLD INCREASE IN REALIZED PRICES, WHICH WE UNDERSTAND SOME PRODUCERS WERE ADVOCATING, THE ADVERSE PRESSURES ON INDUSTRIALIZED ECONOMIES AND ON WORLD DEVELOPMENT GENERALLY WOULD BE TREMENDOUS AND COULD GENERATE COUNTERMEASURES. SLOWING OF THE DEVELOPMENTAL PROCESS WOULD HAVE IMPLICATIONS FOR STABILITY IN DEVELOPING COUNTRIES WHICH COULD ONLY ADVERSELY AFFECT FREE WORLD INCLUDING IRANIAN AND SAUDI INTERESTS.

2. ZAHEDI SAID THAT HE HAD ALREADY SENT HIS PERSONAL VIEWS TO THE SHAH THAT THE DISRUPTION OF THE OIL PRICING SYSTEM WAS UNHEALTHY AND THAT IT WOULD BE A MISTAKE FOR OPEC TO LET OIL PRICES TO GET TOO FAR OUT OF HAND. ZAHEDI THOUGHT, HOWEVER, THAT THE MISTAKE HAD ORIGINALLY BEEN MADE BY AMERICAN COMPANIES SUBMITTING BIDS FOR NIGERIAN OIL OF 16-18 DOLS PER BARREL. WHILE HE COULD APPRECIATE THAT THESE PURCHASES HAD BEEN DUE PERHAPS TO FORCE MAJEURE, NEVERTHELESS, THEY HAD AFFECTED WORLD OIL PRICES GENERALLY.

3. ZAHEDI SAID HE WOULD TRY TO CONVEY THE DEPARTMENT'S CONCERN IMMEDIATELY TO THE SHAH, WHO IS ABOUT TO LEAVE FOR HIS VACATION IN SWITZERLAND. ZAHEDI HIMSELF IS LEAVING FOR SWITZERLAND TOMORROW AND HE WOULD ALSO BE IN CONTACT
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WITH THE SHAH THERE. RUSH

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NNN

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Disposition Approved on Date:
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Disposition Date: 28 MAY 2004
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Disposition Reason:
Disposition Remarks:
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EO Systematic Review
30 JUN 2005

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